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ITALY

Coffee

The Italian Coffee Market

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Report Highlights:

This report was prepared in response to many requests for information by US exporters.

While Italians are the largest European consumers of coffee on a per capita basis there are few opportunities for US sales in this market. The Italians consume coffee as Espresso, Cappuccino, Macciatto and in some northern areas Marocchino. Some coffee bars and restaurants may serve American style coffee but this is not normal.

The various flavored coffees available in the United States are considered children's drinks and are not available on the Italian market. There are limited opportunities for organic espresso coffee, and decaffeinated espresso coffee.

Includes PSD changes: No
Includes Trade Matrix: No
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SUMMARY

Italians are one of Europe's largest coffee consumers on a per capita basis. Italians drink approximately 600 cups of coffee per capita per year and this has a slow increasing tendency. It is estimated that between half to three-fourths of coffee consumed yearly is for breakfast and mid-morning. The coffee Italians drink is dark roasted espresso mostly from arabica-type coffee. This is the basis for most types of coffee in Italy. Decaffeinated coffee also has the dark roasted coffee base.

The coffee market is dominated by a few large manufactures with their private brands. Lavazza, Segafredo, Illycaffee, Café do Brasil, and Suchard are the largest manufacturers and distributors. Consumers are often very loyal to these producers and private labels, especially supermarket brands, are of secondary importance in the market. Competition is fierce and several low-priced, or innovative products have been introduced for sale in the home, at coffee bars and in supermarkets. Italians know their coffee and expect good, high quality flavor.

IMPORTS

Most Italian coffee bean imports are of Columbian and Brazilian origin. Some coffee beans are also imported from Asian countries. The bean origin of coffee roasts tends to fluctuate depending upon available world prices. The strong dark roasted flavor is more easily and consistently maintained without such a close watch on the origin of the coffee.

Imported roasted ground beans accounts for only around 5% of consumption and is one-fourth the value of Italy's exports.

EXPORTS

Italy also exports coffee, over 90% of exports is made up of roasted espresso coffee. Exports have increased nearly 25% in the last five years in value. Coffee exporting, especially to nearby European and Middle Eastern countries, is important, but secondary to providing coffee for the domestic market. Exports make up 10 to 15% of domestic coffee production. The largest coffee producers are also the largest exporters.

PATTERNS OF CONSUMPTION (see IT8735 the Italian bar and breakfast industry)

Available at: www.usdaitaly.org or through www.fas.usda.gov.

In addition to breakfast, many Italians tend to drink a cup of coffee during the day, for a break from work, or after. Most coffee is drunk with sugar, but no milk, exceptions are "cappuccino", "macciato", "marrochino" and "caffelatte" all contain differing quantities of milk, possibly with cacao sprinkled on top.

The key item to Italian coffee, as with their food consumption, is freshness. Consequently, packaging for home consumption is done to maintain freshness. There are no large two, three or five pound coffee tins available for sale, except to coffee bars and other commercial establishments. A family would not consider purchasing a large can like we do in the United States because the coffee wouldn't be fresh after a few days.

It is common for young children to drink a cappuccino in the morning for breakfast along with their parents. Last year nearly half of all coffee was drunk at home. The remainder was drunk mostly through the HRI industry, in particular Italian coffee bars. Though coffee machines in the work place account for around 10 to 15% of coffee consumption.

Home brewed coffee is usually prepared on the stove with a mocha-type coffee maker found in most Hispanic or Italian food stores in the United States. However, as many Italian consumers are fanatics on good quality coffee, there is a wide array of small espresso coffee machines available for family purchases. These machines duplicate the larger fancy machines found in the coffee bars by shooting steam over the ground beans, rather than hot water as done in the cheaper models, and the prices range from around US \$200 to \$600. The hot water "boilers" as the coffee experts disdainfully call them are often found for US \$30 to \$100.

Percolators common in the United States are available for sale to the foreigners, but in general, Italians don't use them. With freshly made coffee a requirement, coffee warmed in a percolator for a few hours doesn't meet Italian's consumption needs.

Instant coffee, e.g., Nescafe and Sanka are available in the supermarkets. People may drink instant coffee at home, especially single people living alone, a rarity in Italy. Instant coffee is also kept on hand for those dreaded mornings when it is discovered that the fresh coffee ran out the night before. Instant coffee isn't served in restaurants or coffee bars unless specifically requested. If you request it, expect some strange looks from the other customers.

MARKETING AND PRICING

Most people purchase ground beans rather than grinding them at home. Usually packages are small, around 250 grams, or in small tin cans of around 500 to 750 grams, to accommodate use at home while also maintaining freshness. Prices range from around US \$2.00 for a 250 gram package to around US \$5.00 for a premium type of coffee.

Coffee is purchased mostly through hypermarkets and supermarkets, though smaller distribution outlets are available, as well as, pricey coffee toasting/grinding establishments.

Prices in Italian coffee bars and restaurants are relatively consistent. An espresso coffee costs around US \$0.65 per cup while a cappuccino is around US \$0.85 per cup.

The heavy competition in the coffee market has caused a few of the major coffee producers to provide special home or office espresso coffee makers for free. These machines provide good tasting coffee. The catch is that these machines

function only with specific prepackaged coffee dispensers adapted for use in the machine and good for one or two cups of coffee each. Usually the price per cup of coffee from these machines and prepackaged dispensers is as cheap as, or cheaper, than if you brewed the coffee yourself on the stove or with your specialized coffee steamer.

US Export Opportunities: They exist but you have to dig for them.

The coffee market will continue to expand for the next few years. Some people believe that flavored coffee may become an item in Italy. There are continued rumors in this sector about Starbucks opening a shop in Rome. Most people believe a US-type coffee shop will cater only to foreigners and few Italians will enter more than once. At the same time, when Italian food industry contacts continue to tell me that only foreigners visit McDonalds and Burger King in Italy as no respectable Italian family would visit such a non-Italian type of establishment, I mention that the foreigners and their children that fill these restaurants speak better and better Italian every day and blend in so well with the locals that you can't even discern that they are foreigners!

There is a general increase in the consumption of decaffeinated roasted coffee, though this won't dominate the market for many years unless there is some major health benefit found for consuming decaffeinated coffee.

The best advice is to work with one of the larger Italian coffee producers. Specialized coffee producers, organic, flavored, etc. may have to work with small importers and distributors. Normally, when working with a small to medium sized importer/' distributor, if you take a risk in the market, you lose.

Please see www.usdaitaly.org for the report: "Ensuring payment for your exports".